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Donald E. Keeney  
Director  
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June 19, 1996

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Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: CC Docket No. 96-61; Keeney Letter Dated June 5, 1996

Dear Mr. Caton:

This is to reply to Regina Keeney's letter, dated June 5, 1996, in which information is requested concerning MCI's plan to implement new Section 254(g) of the Communications Act of 1934, as amended, as such provision applies to Guam, the Northern Mariana Islands and American Samoa and requires that interstate, interexchange services involving customers in those locations be provided at rates no higher than rates charged to customers in other U.S. locations.

MCI, of course, will fulfill its legal obligation as reflected in the Commission's implementing rule. However, the issues are complex, and timing considerations are especially important in light of ongoing developments that reasonably are expected to have substantial impact on rate integration matters. For example, the local access provider on Guam is planning to implement "Feature Group D" access on July 1, 1997, which event likely will have a considerable impact on the cost and quality of switched interstate services originating or terminating on Guam. In addition, the planned inclusion of Guam and the Northern Mariana Islands in the North American Numbering Plan -- complete with NPA assignments for these two locations in the same July 1997 timeframe -- also will affect service provisioning. In view of these important factors, MCI recommends that the Commission not require rate integration until at least October 1, 1997, three months after MCI will have had an opportunity to adjust its operations on Guam to accommodate planned Feature Group D access availability, and consumers also will have had a period of time to adjust to the new area code assignments affecting their calling. There appears to be nothing in the new law that would foreclose the Commission from approaching the rate integration requirement in this fashion and implementing the rule in the reasonable future.

It is MCI's current plan to implement rate integration by treating these three "new states" in a manner consistent with its current treatment of Puerto Rico and the U.S. Virgin Islands. Pricing to these latter locations is tariffed in a "banded" format. Specifically, four bands of states are tariffed for calls placed from the contiguous United States and Hawaii (originating service is not available from Alaska) to Puerto Rico and the U.S. Virgin Islands. There are four corresponding rate bands. This rate structure represents the industry standard for calling to these

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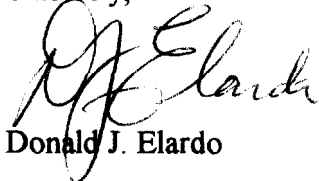
two territories, and there is no reason to doubt that the industry will embrace this same approach for service to Guam, the Northern Mariana Islands and American Samoa. MCI thus envisions an analogous rate structure covering these locations; that is, an appropriate number of bands of states will be defined, and pricing for calls to and from each of the subject territories will be developed. MCI tentatively has concluded, based largely on those factors unique to these areas, that a single set of rates will apply to these locations, although that might change.. (This approach is reflected in MCI's April 19, 1996 "Phase 1" Comments herein, in which it indicated that compliance with the new law could be achieved by creation of another rate band to accommodate service between the U.S. Mainland and the subject Pacific locations.)

Due to the unique cost considerations that will impact rate levels, e.g., physical distance, facility mixes, access and competition, we are unable to disclose any proposed service rates at this time. Indeed, if our recommendation concerning timing, as noted above, is fairly considered, and it should be, it would be premature to even suggest any service rate levels. (In addition, because this letter will be placed in a public file and because the affected markets are competitive, MCI would be reluctant in any event to reveal potential rates so far in advance of their availability. In the normal course, under currently prevailing tariffing requirements, rates can be implemented on one day's notice.)

When the Domsat II order (Establishment of Domestic Communications-Satellite Facilities by Non-Governmental Entities, Docket No. 16495, Second Report and Order, 35 FCC 2d 844 (1972)) issued and, for the first time, raised the rate integration policy question, AT&T Corp. (AT&T) was the monopoly service provider for voice services in the markets then in question and, accordingly, was required to justify its proposed service rates. It did so, and the Commission allowed AT&T's rate structure -- which is based on state bands that are distance sensitive -- to take effect. Accordingly, the particular rate structure that MCI envisions to have applicability in this matter has passed muster under the Commission's current rate integration policy, which the new law is intended to codify, not replace.

Please advise if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Elardo", written over a horizontal line.

Donald J. Elardo

CC: Regina M. Keeney  
Sherille Ismail  
Neil Fried